1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 27 March 1992 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The principal activities and other particulars of the Company's significant subsidiaries are set out in Note 18 to the financial statements.

2. BASIS OF PREPARATION AND FUNDAMENTAL UNCERTAINTIES RELATING TO GOING CONCERN

(a) Basis of Preparation

(i) Since key management and personnel responsible for the accounting and finance function of Welback International Investments Limited and its subsidiaries ("WIIL group"), being the major operating subsidiaries of the Group, commenced to leave WIIL group in May 2003, the books of account and records of WIIL group have not been properly prepared and maintained. In the absence of properly prepared accounting records and supporting documents of WIIL group, the directors of the Company have prepared the consolidated financial statements of WIIL group based on unaudited individual management accounts of the companies comprising WIIL group. Against this background, the directors of the Company are unable to represent as to the validity, completeness, existence, valuation, recording and presentation of assets, liabilities, income, expenditure and cash flows of WIIL group. Accordingly, the directors of the Company are unable to represent that the financial statements of the Group are free from material misstatement.

(ii) In the absence of properly prepared accounting records and supporting documents of WIIL group, the following required disclosures have not been made in these financial statements:

- Details of deferred taxation disclosures as required by Statement of Standard Accounting Practice ("SSAP") 12 "Accounting for deferred tax" issued by the Hong Kong Society of Accountants; and

- Details of related party transactions as required by SSAP 20 "Related party disclosures".

2. BASIS OF PREPARATION AND FUNDAMENTAL UNCERTAINTIES RELATING TO GOING CONCERN (Continued)

(a) Basis of Preparation (Continued)

(iii) In the absence of properly prepared accounting records and supporting documents of WIIL group, the directors of the Company are unable to represent as to the completeness of the following disclosure notes:

- contingent liabilities of WIIL group in respect of various legal proceedings, claims and writs of approximately HK$48,941,000. In addition, the directors of the Company are unable to quantify the amount of banking facilities utilised by WIIL group as at 30 June 2003, for which the Company has provided corporate guarantees to the extent of approximately HK$31,700,000 as shown in the latest available banking facilities letters dated 25 July 2002 and 22 November 2002.
- pledge of assets in aggregate amount of approximately HK$19,044,000;
- operating lease commitments of approximately HK$5,201,000; and
- post balance sheet events as set out in Note 37 to the financial statements.

In preparing the financial statements, the directors of the Company have given careful consideration to the liquidity position and going concern status of the Group.

Events of default have arisen under convertible bonds due on 29 May 2003 and certain borrowing arrangements entered into by the Group. As a result, the relevant borrowings have become repayable on demand and have been classified as current liabilities.

Tripoli Investments Limited ("Tripoli"), the related company of the Group, has informed the Company that it is not willing to provide further financial support to the WIIL group to meet its financial obligations as they fall due.

(b) Fundamental Uncertainties relating to Going Concern

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities of approximately HK$106,791,000 and net liabilities of approximately HK$59,683,000 as at 30 June 2003. The Group also incurred a net loss from ordinary activities attributable to shareholders and recorded a decrease in cash and cash equivalents for the year ended 30 June 2003 of approximately HK$104,571,000 and HK$907,000 respectively.

2. BASIS OF PREPARATION AND FUNDAMENTAL UNCERTAINTIES RELATING TO GOING CONCERN (Continued)

(b) Fundamental Uncertainties relating to Going Concern (Continued)

The Group has had difficulty in repaying the 4% convertible bonds due on 29 May 2003 and payables on time, its creditors and employees. The Group had also been the subject of various claims and demands, mainly result from its ordinary course of business.

The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available, the satisfactory resolution of the settlement of convertible bonds due on 29 May 2003, the satisfactory resolution of a number of lawsuits against the Group, the successful attainment of profitable and positive cash flow operations and the successful outcome of the implementation of the measures noted below. The financial statements do not include any adjustments that would result from a failure of implementation of the measures noted below. If these measures were not to be successful or insufficient, or if the going concern basis were not to be appropriate, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The financial statements have been prepared on the assumption that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 30 June 2003 and subsequently thereto up to the date of approval of these financial statements. In order to improve the Group's financial position, immediate liquidity, cash flows, profitability and operations, the directors of the Group have adopted several financing measures which have been completed or to be completed subsequent to the balance sheet date together with other measures in progress at the date of this report which include, but are not limited to, the following:

(i) On 21 July 2003, the Company completed the issue of 300,000,000 new shares with an aggregate proceeds of approximately HK$4,934,000 to three independent placees. The proceeds were received on 23 July 2003. Further details of these transactions are set out in the Note 37(i) to the financial statements.

(ii) On 19 August 2003, the Company entered into an agreement with an independent third party for the issuance of convertible bonds with an aggregate principal of HK$16,000,000. Further details of the terms of such convertible bonds are set out in Note 37(iii) to the financial statements. The proceeds from the issue of the convertible bonds were primarily utilised to reduce the Group's indebtedness and partially used as general working capital of the Group. According to the agreement dated 19 August 2003, the proceeds will be received in November 2003, which is two months after the approval of the Stock Exchange.

2. BASIS OF PREPARATION AND FUNDAMENTAL UNCERTAINTIES RELATING TO GOING CONCERN (Continued)

(b) Fundamental Uncertainties relating to Going Concern (Continued)

(iii) On 10 September 2003, the Company entered into a subscription agreement with Accurate Sino Holdings Limited ("ASHL") under which ASHL agreed, inter alia, to subscribe for 700,000,000 new shares of the Company at a subscription price of HK$0.016 per share. Also, the sole director and shareholder of ASHL agreed to grant a loan of HK$5,000,000 to the Company for a term of one year at an interest rate of 8% per annum. Further details of these transactions are set out in the Note 37(vi) to the financial statements. The proceeds for the subscription of new shares were received on 16 October 2003 and the loan has not been granted up to the date of approval of these financial statements.

In the opinion of the directors, in light of the measures taken to date, the Group will have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial position and tight cash flows as at 30 June 2003.

Should the Group and the Company be unable to continue as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities. The effects of these potential adjustments have not been reflected in the financial statements.

3. ADOPTION OF NEW OR REVISED SSAPs

In the current year, the Group adopted the following new or revised SSAPs issued by the Hong Kong Society of Accountants (the "HKSA") which are effective for the first time for the current year's financial statements:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statement
SSAP 34	:	Employee benefits

3. ADOPTION OF NEW OR REVISED SSAPs (Continued)

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs, which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 (revised) prescribed the basis for presentation of financial statements and set out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The consolidated statement of changes in equity for the current financial year and the comparative figures has been presented in accordance with the revised SSAP.

SSAP 11 (revised) prescribes the basis for the translation of foreign currency transaction and financial statements. The revisions to this SSAP have eliminated the choice of translating the income statements of overseas subsidiaries and associates at the closing rate of that period. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting period.

SSAP 15 (revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flow from operating, investing and financing activities, rather than the five headings previously required. In addition, the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised to exclude advances from bank repayable within three months from the date of advance that are financing in nature.

SSAP 34 prescribed the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are required to be included in the notes to the financial statements in respect of the Company's share option scheme.

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable SSAPs and Interpretation issued by the HKSA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the non-compliance with SSAP 12 "Accounting for deferred tax" and SSAP 20 "Related party disclosures" as disclosed in Note 2 to the financial statements. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the principal accounting policies followed by the Group in the preparation of the financial statements is set out below:

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from effective date of acquisition or up to the effective date of disposal, as appropriate.

On 30 June 2003, the Company through Ruian Technology Company Limited, an indirect wholly owned subsidiary of the Company, acquired from Welback Enterprises Limited, a 51% owned subsidiary of the Company, the entire paid-up registered capital of Ruian Weiye Technology (Shenzhen) Limited ("Ruian Weiye"), a company established in the People's Republic of China. As a result, Ruian Weiye changed from a 51% indirectly owned subsidiary to a wholly owned subsidiary of the Company. The results of Ruian Weiye for the year ended 30 June 2003 were included in the financial statements of WIIL group as mentioned in Note 18 to the financial statements, whereas the consolidated balance sheet of the Group as at 30 June 2003 has consolidated the assets and liabilities as shown in the management accounts of Ruian Weiye as at 30 June 2003.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefit from its activities.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associates

An associate is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management. Significant influence is the power to participate in, but not control, the financial and operating policy decisions of the investee.

Investment in associate is accounted for in the consolidated financial statements using equity method. The consolidated income statement includes the Group's share of the post-acquisition results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in associates reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

(d) Goodwill/Negative Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries and associates at the date of acquisition.

In accordance with SSAP 30, goodwill arising on acquisitions occurring on or after 1 July 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5 to 10 years.

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Goodwill/Negative Goodwill (Continued)

Goodwill on acquisitions that occurred prior to 1 January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However, any impairment arising on such goodwill will be accounted for in accordance with SSAP 31.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions on or after 1 July 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

For acquisitions prior to 1 July 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 July 2001 acquisitions, the related goodwill written off against reserve to the extent it has not previously been realised in the income statement.

(e) Property, Plant and Equipment

Property, plant and equipment, other than leasehold properties, are stated at cost less accumulated depreciation and accumulated impairment losses at the balance sheet date. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Property, Plant and Equipment (Continued)

Leasehold properties are stated in the balance sheet at their revalued amounts, being the fair values on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of leasehold properties is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset.

Depreciation is charged so as to write off the valuation of leasehold properties over their estimated useful lives, using the straight-line basis, at the following annual rates:

Leasehold land	:	Term of lease
Buildings	:	Over 40 years or term of lease, whichever is shorter

Depreciation is charged so as to write off the cost of other property, plant and equipment over their estimated useful lives, using the reducing balance basis, at the rate of 20% per annum.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in property, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal or retirement of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Investment Properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuation is released to the income statement.

(g) Research and Development Costs

Research costs are expensed as incurred. Cost incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expenses are not recognised as an asset in a subsequent period.

(h) Investments in Securities

Investment which are intended to be held on a continuing basis, and which are held for an identified long term purpose documented at the time of acquisition or change of purpose and are clearly identified for the documented purpose, are classified as investment securities stated at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduces to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the income statement for the period in which they arise.

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Investments in Securities (Continued)

When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the appreciation in fair value is credited to the income statement, on individual investment basis, to the extent of the amount previously charged.

All securities other than held-to-maturity debt securities and investment securities are measured at subsequent reporting dates at fair value.

(i) Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

(j) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, revenue is recognised in the income statement as follow:

(i) Sales of goods are recognised when goods are delivered and title has passed.

(ii) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

(iii) Rental income, including rentals invoices in advance from properties under operating leases, recognised on a straight-line basis over the term of the relevant leases.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less all costs to completion and costs to make the sale.

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Foreign Currencies

Transactions in foreign currencies other than Hong Kong dollars are translated into Hong Kong Dollars at the rates of exchange ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies other than Hong Kong Dollars are re-translated into Hong Kong Dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the balance sheet items of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the applicable rates of exchange rates ruling at the balance sheet date whilst the income and expenses items are translated at the average rates for that year. The resulting translation differences are dealt with in the exchange reserve.

(m) Leases

Leases are classified as finance leases whenever the terms of the contract transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at their fair value at the date of acquisition or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Finance charges, which represent the difference between the total leasing commitments and the recorded value of the assets acquired, are charged to the income statement over the term of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rental payable under operating leases are charge to income statement on a straight-line basis over the term of the relevant lease.

(n) Convertible Bonds

Convertible bonds are stated at the aggregate of the net proceeds from the issue.

The net proceeds represent the amount received on the issue of the convertible bonds after deduction of direct issue costs. Direct issue costs are amortised to the income statement on a straight-line basis over the period from the date of issue to their final redemption date. If any of the convertible bonds are purchased and cancelled, redeemed or converted prior to the final redemption date, any remaining unamortised issue costs attributable to the convertible bonds purchased, redeemed or converted will be written off immediately to the income statement.

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expenses are recognised for tax purposes in a difference accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

(p) Impairment of Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset, is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the income statement.

(q) Provisions

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(r) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Contingent Liabilities and Contingent Assets (Continued)

A contingent liability is not recognised but is disclosed in the notes to financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(s) Employee Benefits

(i) Salaries, annual bonuses, paid annual leaves, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds are required under the Hong Kong Mandatory Provident Funds Schemes Ordinance are recognised as an expenses in the consolidated income statement as incurred.

(iii) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(t) Cash Equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences.

(v) Related Party Transactions

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(w) Segment Reporting

A segment is a distinguishable component of the Group that is either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables, and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

5. TURNOVER

Turnover represents revenue from the manufacture and sale of multimedia electronic products and toys and games products. The amount of each significant category of revenue recognised during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Continuing operations:		
Manufacture and sale of		
– Multimedia electronic products	**198,087**	264,282
– Toys and games products	**58,458**	74,279
Others	**23,294**	11,372
	279,839	349,933
Discontinued operations:		
Trading in telecommunication products	**–**	52,191
	279,839	402,124

6. SEGMENT INFORMATION

(a) Business Segments

Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

The following table present revenue and results for the Group's business segments.

	Multimedia electronic products		Toys and games products		Telecommunication products		Others		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**198,087**	264,282	**58,458**	74,279	**–**	52,191	**23,294**	11,372	**279,839**	402,124
Segment results	**15,183**	(8,376)	**(19,987)**	(15,500)	**–**	(388)	**9,940**	1,823	**5,136**	(22,441)
Interest income and unallocated gains									**30,149**	5,630
Unallocated corporate expenses									**(77,701)**	(13,685)
Revaluation decrease of investment properties									**(6,500)**	(2,557)
Revaluation decrease of leasehold land and buildings									**–**	(126)
Impairment loss in respect of interest in an associate									**(1,000)**	(47,887)
Impairment loss in respect of investment in securities									**(15,180)**	(13,751)
Amortisation of operating rights									**(453)**	–
Impairment loss in respect of operating rights									**(6,347)**	–
Provision for doubtful debts									**(22,233)**	–
Deposit forfeited									**(4,100)**	–
Loss from operations									**(98,229)**	(94,817)
Amortisation on goodwill									**(11)**	(3,391)
Share of results of an associate									**–**	(181)
Finance costs									**(6,331)**	(5,790)
Loss on disposal of subsidiaries									**–**	(2,032)
Loss before taxation									**(104,571)**	(106,211)
Taxation									**–**	–
Loss before minority interests									**(104,571)**	(106,211)
Minority interests									**–**	78
Net loss for the year									**(104,571)**	(106,133)

There are no sales or other transactions between the business segments.

Analysis of assets and liabilities by business segments has not been disclosed as most of the Group's assets and liabilities are unallocated.

6. SEGMENT INFORMATION (Continued)

(b) Geographical Segments

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers. More than 90% of the Group's assets are located in the region of Hong Kong and mainland China. Accordingly, analysis of segment assets based on the geographical segments has not been disclosed.

The following table present revenue for the Group's geographical segments.

	North America		Europe		Japan		Hong Kong		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**196,095**	284,197	**61,926**	82,459	**10,912**	10,232	**10,906**	25,236	**279,839**	402,124

No information was available for the geographical segment results.

There are no sales between the geographical segments.

7. LOSS FROM OPERATIONS

	2003	2002
	HK$'000	*HK$'000*
Loss from operations is stated after charging:		
Auditors' remuneration	965	990
Depreciation		
– owned assets	8,132	9,151
– assets held under finance leases	853	532
Loss on disposal of leasehold properties	167	–
Loss on disposal of property, plant and equipment	163	234
Fixed assets written off	434	–
Operating leases in respect of land and buildings	2,283	2,058
Research and development costs	829	757
Impairment loss in respect of amount due from an investee company	–	171
Cost of inventories	274,703	362,336
Amortisation of development costs	636	318
Written off of development costs	3,291	–
Provision for obsolete inventories	31,991	13,141
Staff costs		
– Retirement benefit scheme contributions, (2002: net of forfeited contributions of HK$503,000)	1,089	991
– Severance payments	637	181
– Other staff costs, including directors' emoluments	47,952	51,938
	49,678	53,110
Less: Staff costs capitalised as research and development costs	–	(1,627)
	49,678	51,483
and after crediting:		
Interest income	216	236
Rental income	2,066	1,651

8. FINANCE COSTS

	2003	2002
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable		
– Within five years	**2,691**	2,288
– Over five years	**835**	1,066
Other borrowings	**1,131**	2,125
Loan from a shareholder	**136**	–
Convertible bonds	**624**	55
Obligations under finance leases	**198**	191
Amortisation of issue costs of convertible bonds	**716**	65
	6,331	5,790

9. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries had no assessable profits for the year (2002: Nil).

10. NET LOSS FOR THE YEAR

Of the Group's net loss for the year of HK$104,571,000 (2002: HK$106,133,000), a loss of HK$123,840,000 (2002: HK$26,891,000) has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK$104,571,000 (2002: HK$106,133,000) and on the weighted average number of 8,511,616,632 (2002: 6,540,844,650) ordinary shares in issue during the year.

The computation of diluted loss per share for 2003 and 2002 does not assume the conversion of the Company's outstanding convertible bonds, warrants and share options since their exercise would result in a decrease in net loss per share from continuing ordinary operations.

12. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 30 June 2003 (2002: Nil).

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

	2003	2002
	HK$'000	*HK$'000*
(a) Directors' emoluments		
The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:		
Directors' fees		
Executive directors	**60**	–
Non-executive director	**–**	80
Independent non-executive directors	**120**	120
	180	200
Other emoluments		
Executive directors		
– Salaries and other benefits	**4,404**	5,837
	4,584	6,037

The emoluments of the directors fell within the following bands:

	Number of directors	
	2003	2002
Nil to HK$1,000,000	**9**	5
HK$1,000,001 to HK$1,500,000	**3**	–
HK$1,500,001 to HK$2,000,000	**–**	3

During the year, a total of 50,000,000 share options to subscribe for ordinary shares of the Company were granted to a director under the Company's share option scheme. The details of these benefits in kind are disclosed under section headed "Directors' Interests in Equity or Debt Securities" in Report of the Directors. In the absence of a readily available market value for an accurate assessment of the value of these share options, accordingly, no value has been included in the emoluments of the directors in respect thereof.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2002: three) directors of the Company, details of whose emoluments are set out above. The emoluments payable to the remaining two (2002: two) individuals during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Salaries and other benefits	**1,563**	7,432

The emoluments of the non-director individuals fell within the following bands:

	Number of employees	
	2003	2002
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	1
	2	2

14. EMPLOYEE BENEFITS

Retirement Benefit Scheme

Prior to 1 December 2000, the Group operated a defined contribution retirement benefits scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce the contributions payable by the Group. The Defined Contribution Scheme was terminated on 1 December 2000.

Effective from 1 December 2000, the Group joined the MPF Scheme for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

14. EMPLOYEE BENEFITS (Continued)

Retirement Benefit Scheme (Continued)

The employees of the Company's subsidiary in the People's Republic of China (the "PRC") are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pension or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represents the entire pension obligations payable to retired employees.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingents liabilities as at 30 June 2003 in respect of the retirement of its employees.

Equity Compensation Benefits

Share Options

The Company has adopted a new share option scheme on 23 November 2001 under which the directors may grant options to employees, including any directors, of the Company, its subsidiaries or its invested entities to subscribe for shares in the Company. The subscription price will be determined by the director (subject to adjustment), and will not be less than (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for trades in one or more board lots of shares on the date of offer of the options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the options; or (iii) the nominal value of the shares of the Company, whichever is the higher. The maximum number of shares in respect of which options may be granted under this scheme may not exceed 10% of the issued share capital of the Company from time to time. An option may be exercised at any time before the expiration of ten years from the date of adoption of the relevant share option scheme.

Details of the share options outstanding as at 30 June 2003 which have been granted under the aforesaid share option scheme are as follows:

		Number of share options					
Exercise on or after	Exercise price HK$	Outstanding as at 1 July 2002	Granted during year	Exercised during year	Lapsed during year	Cancelled during year	Outstanding as at 30 June 2003
16 January 2002	0.0570	261,400,000	–	–	(196,050,000)	(65,350,000)	–
1 February 2002	0.0810	392,100,000	–	–	(261,400,000)	(130,700,000)	–
16 January 2003	0.0160	–	300,000,000	(300,000,000)	–	–	–
20 February 2003	0.0170	–	150,000,000	–	–	–	150,000,000
24 April 2003	0.0174	–	50,000,000	–	–	–	50,000,000
		653,500,000	500,000,000	(300,000,000)	(457,450,000)	(196,050,000)	200,000,000

15. INTANGIBLE ASSETS

	Operating rights	Goodwill	Development costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
Cost:				
At 1 July 2002	–	107	4,245	4,352
Acquired/incurred during the year	6,800	–	–	6,800
At 30 June 2003	6,800	107	4,245	11,152
Accumulated amortisation and impairment:				
At 1 July 2002	–	5	318	323
Provided for the year	453	11	636	1,100
Impairment loss recognised for the year	6,347	–	3,291	9,638
At 30 June 2003	6,800	16	4,245	11,061
Net book value:				
At 30 June 2003	**–**	**91**	**–**	**91**
At 30 June 2002	–	102	3,927	4,029

Development costs capitalised in the year ended 30 June 2002 included an amount of HK$1,627,000 in respect of staff costs.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Motor vehicles H$'000	Total HK$'000
Group							
Cost or Valuation:							
At 1 July 2002	23,240	17,742	18,781	28,542	41,476	2,519	132,300
Additions	–	847	711	77	1,346	1,090	4,071
Disposals	(2,650)	(204)	–	–	–	–	(2,854)
Reclassification	–	–	757	(813)	56	–	–
Written off	–	(4,259)	–	–	–	–	(4,259)
At 30 June 2003	20,590	14,126	20,249	27,806	42,878	3,609	129,258
Accumulated depreciation:							
At 1 July 2002	–	10,937	12,373	19,372	28,152	1,683	72,517
Provided for the year	1,049	1,432	1,575	1,764	2,889	276	8,985
Eliminated on disposals	(42)	(41)	–	–	–	–	(83)
Eliminated on written off	–	(3,825)	–	–	–	–	(3,825)
Impairment loss recognised	9,536	–	–	–	–	–	9,536
At 30 June 2003	10,543	8,503	13,948	21,136	31,041	1,959	87,130
Net book value:							
At 30 June 2003	**10,047**	**5,623**	**6,301**	**6,670**	**11,837**	**1,650**	**42,128**
At 30 June 2002	23,240	6,805	6,408	9,170	13,324	836	59,783

The net book value of certain of the above assets held under finance leases are analysed as follows:

At 30 June 2003	**–**	**–**	**805**	**1,840**	**–**	**1,377**	**4,022**
At 30 June 2002	–	–	1,026	2,300	–	459	3,785

Apart from the leasehold properties, which are stated at valuation, all other property, plant and equipment are stated at cost.

The net book value of the leasehold properties at 30 June 2003 included an amount of HK$2,507,000 (2002: HK$5,240,000) in respect of properties situated in Hong Kong which are held under medium-term leases and an amount of HK$7,540,000 (2002: HK$18,000,000) in respect of properties situated in the People's Republic of China (the "PRC") which is held for use by the Group for a period of 30 years ending on 31 December 2021.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

As more fully set out in Note 37 to the financial statements, the Group disposed of the leasehold property situated in the PRC subsequent to 30 June 2003 at a consideration of approximately HK$7,540,000. Accordingly, an impairment loss of approximately HK$9,536,000 has resulted and the same amount has been charged against the Group's asset revaluation reserve.

No valuation of the leasehold properties situated in Hong Kong has been carried as at 30 June 2003 because the directors consider that there are no significant changes in their open market values and accordingly, these leasehold properties are stated at their value as at 30 June 2002, prepared by AA Property Services Limited, an independent firm of property consultants, on an open market value basis.

Had the leasehold properties been carried at historical cost less depreciation, their aggregate carrying amount would have been stated at approximately HK$9,441,000 (2002: HK$12,392,000).

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Company				
Cost:				
At 1 July 2002	204	24	–	228
Additions	8	61	1,090	1,159
Disposals	(204)	–	–	(204)
At 30 June 2003	8	85	1,090	1,183
Accumulated depreciation:				
At 1 July 2002	41	5	–	46
Charge for the year	2	16	109	127
On disposal written back	(41)	–	–	(41)
At 30 June 2003	2	21	109	132
Net book value:				
At 30 June 2003	**6**	**64**	**981**	**1,051**
At 30 June 2002	163	19	–	182

The net book value of fixed assets includes an amount of approximately HK$981,000 (2002: Nil) in respect of assets held under finance leases.

17. INVESTMENT PROPERTIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Valuation:		
At 1 July 2002/2001	**34,500**	–
Transfer from property held for sale	**–**	36,556
Additional cost capitalised during the year	**–**	501
Revaluation decrease	**(6,500)**	(2,557)
At 30 June 2003/2002	**28,000**	34,500

The investment property is situated in Hong Kong and held under long lease. As at 30 June 2003, the property was revalued on an open market basis at HK$28,000,000 (2002: HK$34,500,000) by RHL Appraisal Ltd, an independent professional surveyor, and the revaluation decrease of approximately HK$6,500,000 (2002: HK$2,557,000) was charged to the consolidated income statement.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**22,115**	22,115
Less: Impairment loss recognised	**(22,115)**	(22,115)
	–	–
Net amounts due from subsidiaries, less provision	**6,761**	114,781
	6,761	114,781

The amounts due from subsidiaries are unsecured and interest free.

18. INVESTMENTS IN SUBSIDIARIES (Continued)

The following is a list of the significant subsidiaries at 30 June 2003:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares*	Proportion of nominal value of issued shares held by the Company Directly	Indirectly	Principal activities
Bestplus Profits Limited	British Virgin Islands ("BVI")	US$1	–	100%	Inactive
Cristine Holdings Limited	BVI	US$1	100%	–	Investment holding
Digital Infinity Limited	BVI	US$1	100%	–	Investment holding
Fine Apex Limited	Hong Kong	HK$4	–	100%	Property holding
Future Wealth Investments Ltd	BVI	US$1	–	100%	Investment holding
Graceley Enterprises Limited#	Hong Kong	HK$2	–	51%	Provision of nominee services
Great Central Trading Limited^	BVI	US$1	100%	–	Investment holding
HD Audiovideo (China) Limited^	Hong Kong	HK$100	–	70%	Inactive
Hero Bright International Limited#	Hong Kong	HK$1,000	–	51%	Trading of toys, games and multi-media electronic products
Hitchman Limited#	Hong Kong	HK$150,000	–	51%	Property holding and trading in toys, games and multi-media electronic products
Indofast Technology Limited	BVI	US$1	100%	–	Investment holding

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares*	Proportion of nominal value of issued shares held by the Company Directly	Indirectly	Principal activities
Modern Gala Industrial Limited#	Hong Kong	HK$1,500,000	–	51%	Manufacture and sale of moulds and plastic parts
P.N. Electronic Limited#	Hong Kong	HK$1,000	–	51%	Inactive
Profit Charter Holdings Limited^	BVI	US$1	100%	–	Investment holding
Quentinbelle Limited#	BVI/PRC	US$100	–	51%	Provision of sub-contracting services
Quicky Technologies Limited	BVI	US$1	100%	–	Investment holding
Quidde Limited#	Hong Kong	HK$2	–	51%	Investment holding
Ruian Technology Company Limited^ (formerly known as Widax (Asia) Limited)	Hong Kong	HK$2	–	100%	Investment holding
Ruian Weiye Technology (Shenzhen) Limited+#	PRC	HK$8,376,000@	–	100%	Manufacture and sale of toys, games and multi-media electronic products
Timlex International Limited#	Hong Kong	HK$2	–	51%	Trading in toys, games and multi-media electronic products

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares*	Proportion of nominal value of issued shares held by the Company Directly	Indirectly	Principal activities
Transfer Networks Limited	BVI	US$1	100%	–	Inactive
Welback Enterprises Limited#	Hong Kong	HK$13,501,000 **	–	51%	Manufacture and sale of toys, games and multi-media electronic products
Welback International Investments Limited#	BVI	HK$16,875,000	51%	–	Investment holding
Widax (China) Limited^	Hong Kong	HK$2	–	100%	Investment holding
Widax (Hong Kong) Limited^	Hong Kong	HK$2	–	100%	Inactive
Widax Company Limited^	Hong Kong	HK$2	–	100%	Inactive

* All are ordinary share capital unless otherwise stated.

** The issued and fully paid share capital of Welback Enterprises Limited includes 1,350,000 non-voting deferred share of HK$10 each.

\+ Ruian Weiye Technology (Shenzhen) Limited ("Ruian Weiye") was established as a wholly foreign owned enterprise in the PRC.

During the year, the Company through its wholly owned subsidiary, Ruian Technology Company Limited, acquired the entire paid-up registered share capital of Ruian Weiye. As a result, it becomes a wholly owned subsidiary of the Company as at 30 June 2003.

As mentioned in Note 4(a) to the financial statements above, the results of Ruian Weiye for the year ended 30 June 2003 was included in the financial statements of WIIL group. The unaudited financial information of Ruian Weiye was included in the financial statements of the Group.

@ The entire paid-up registered share capital of Ruian Weiye Technology (Shenzhen) Limited includes HK$3,376,000 which was injected in the form of plant and machinery on 13 March 2003.

^ Acquired during the year.

\# The financial statements of these companies are audited by certified public accountants other than Messrs HLB Hodgson Impey Cheng.

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

18. INVESTMENTS IN SUBSIDIARIES (Continued)

The financial information of Welback International Investments Limited and its subsidiaries ("WIIL group") and Ruian Weiye Technology (Shenzhen) Limited ("Ruian Weiye") for the year ended 30 June 2003 are as follows:

	Consolidated balance sheet of WIIL group HK$'000	Balance sheet of Ruian Weiye HK$'000
Non-Current Assets		
Property, plant and equipment	35,395	5,122
Current Assets		
Inventories	13,475	20,106
Trade and other receivables	21,762	1,237
Amount due from fellow subsidiaries	–	2,819
Pledged bank deposits	8,997	863
Time deposits, bank balances and cash	2,392	107
	46,626	25,132
Current Liabilities		
Trade and other payables	(74,022)	(4,490)
Amount due to ultimate holding company	(47,063)	–
Amount due to immediate holding company	–	(2,387)
Amount due to a shareholder	(53,017)	–
Amounts due to fellow subsidiaries	(3,382)	–
Secured short-term bank borrowings	(16,593)	(7,117)
Obligations under finance leases – due within one year	(994)	–
Other secured borrowings	(5,000)	(9,423)
	(200,071)	(23,417)
Net Current (Liabilities)/Assets	(153,445)	1,715
Net (Liabilities)/Assets	(118,050)	6,837
Capital and Reserve		
Share capital/registered capital	16,875	8,376
Reserve	(134,925)	(1,539)
Shareholders' (Deficits)/Funds	(118,050)	6,837

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Consolidated income statement of WIIL group for the year ended 30 June 2003 (included the results of Ruian Weiye for the year ended 30 June 2003):

	HK$'000
Turnover	279,839
Cost of Sales	(274,703)
Gross Profit	5,136
Other Operating Income	1,634
Distribution Costs	(10,285)
Administrative Expenses	(48,176)
Allowance for Doubtful Debts	(18,747)
Loss from Operations	(70,438)
Finance Costs	(3,874)
Loss before Minority Interests	(74,312)
Minority Interest	–
Net Loss for the Year	(74,312)

19. INTERESTS IN AN ASSOCIATE

	Group	
	2003	2002
	HK$'000	*HK$'000*
Share of net assets	**–**	–
Goodwill unamortised	**50,963**	47,489
	50,963	47,489
Deposit paid for acquisition for an associate *(note 1)*	**–**	3,470
	50,963	50,959
Less: Provision for impairment loss	**(48,887)**	(47,887)
	2,076	3,072
Reclassified as investment in securities *(note 2)*	**(2,076)**	–
	–	3,072

19. INTERESTS IN AN ASSOCIATE (Continued)

Notes:

1. The amount represents a deposit paid for subscription of additional 1,549,909 shares of Gen-Wan Technology Corporation ("Gen-Wan") which was classified as an associate of the Group as at 30 June 2002 with a par value of NT$10 each. The acquisition was completed in September 2002 and the Group's equity interest in Gen-Wan was increased from 23.7% to 24.9% thereafter.

2. Pursuant to a board resolution of Gen-Wan, Gen-Wan increased its share capital by NT$70 million during the year. The Group has given up its right to contribute additional investment in Gen-Wan and, accordingly, the Group's equity interest in Gen-Wan was diluted from 24.9% to 9.5% and the Group no longer has the power to participate in the financial and operating policy decision of Gen-Wan. As a result, the investment in Gen-Wan was reclassified as investments in securities as at 30 June 2003 as disclosed in Note 20 to the financial statements.

20. INVESTMENTS IN SECURITIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
(a) Investment securities		
Unlisted equity securities, at cost	**28,931**	21,155
Less: Impairment loss recognised	**(28,931)**	(13,751)
	–	7,404

In the opinion of the directors, the investment securities in the amount of approximately HK$15,180,000 (2002: HK$13,751,000) are determined to be impaired and the amount of impairment loss has been charged to the consolidated income statement.

Details of the investee company in which the Group has significant shareholdings as at 30 June 2003 are as follows:

Name of company	Place of incorporation/operation	Equity interest held indirectly
Everbest Water Treatment Development Company Ltd ("Everbest")	Hong Kong	50% (ordinary shares)

Since the Group has not appointed any representatives in the Board of Directors of Everbest, in the opinion of the directors of the Company, the Group has no significant influence in the operating and financial policy decisions of Everbest. As a result, the Group's investment in Everbest is classified as investments in securities.

20. INVESTMENTS IN SECURITIES (Continued)

	Group 2003 HK$'000	2002 HK$'000
(b) Other securities		
Unlisted securities	**2,051**	2,051
Less: Impairment loss recognised	**(2,051)**	(2,051)
	–	–

In the opinion of the directors, the other securities are determined to be impaired and the amount of impairment loss has been charged to the consolidated income statement in previous years.

21. INVENTORIES

	Group 2003 HK$'000	2002 HK$'000
Raw materials	**23,186**	40,776
Work in progress	**2,758**	15,930
Finished goods	**7,638**	13,038
	33,582	69,744

As at 30 June 2002, raw materials of approximately HK$942,000 and finished goods of approximately HK$727,000 were carried at net realisable value.

22. TRADE AND OTHER RECEIVABLES

At 30 June 2003, the balances of trade and other receivables included trade receivables of approximately HK$16,295,000 (2002: HK$56,869,000). An aged analysis of trade receivables prepared on the basis of sales invoice date is as follows:

	Group 2003 HK$'000	2002 HK$'000
0 to 90 days	**9,569**	34,816
91 days or above	**6,726**	22,053
	16,295	56,869

22. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows an average credit period of 90-180 days (2002: 60-90 days) to its trade customers.

Included in the 2002 balance was a receivable of approximately HK$18 million in respect of goods shipped to a former customer, North America Foreign Trading Corporation ("NAFT") in 1996. NAFT has filed a Statement of Claim with American Arbitration Association, in which it alleges that the Group manufactured and sold defective goods to NAFT for which NAFT is entitled to a refund. In addition, NAFT is claiming damages not exceeding US$5 million. Based on previously obtained legal advice, the Group had contested vigorously the claims brought by NAFT and also counterclaimed for the said sum of HK$18 million and for other damages.

However, in view of the current financial difficulty encountered by the WIIL group and to avoid additional legal costs, the directors of WIIL Group had decided to cease further recovery actions against NAFT and accordingly, provision for doubtful debts for the abovementioned receivable balance has been made in these financial statements. Nevertheless, the director of WIIL group believes that the above-mentioned claims not exceeding US$5 million has been made without valid ground and accordingly, no provision has been made in these financial statements against the Group's exposure in respect of this matter.

23. TRADE AND OTHER PAYABLES

At 30 June 2003, the balances of trade and other payables included trade payables of approximately HK$57,085,000 (2002: HK$87,843,000). An aged analysis of trade payables prepared on the basis of supplier invoice date is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
0 to 90 days	**20,178**	70,921
91 days or above	**36,907**	16,922
	57,085	87,843

24. SHORT-TERM SECURED BANK BORROWINGS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Trust receipts and import loans	**16,302**	20,493
Portion of secured term loan due within one year *(Note 25)*	**2,052**	1,826
Short-term secured bank borrowings	**7,117**	–
Bank overdrafts	**–**	977
	25,471	23,296

25. SECURED TERM LOAN

	Group	
	2003	2002
	HK$'000	*HK$'000*
At 30 June 2003, the Group's secured term loan is repayable as follows:		
– Within one year	**2,052**	1,826
– In the second year	**1,793**	1,992
– In the second to fifth year inclusive	**5,800**	5,516
– After the fifth year	**11,670**	13,787
	21,315	23,121
Less: Amount due within one year included under short-term secured bank borrowings in current liabilities *(Note 24)*	**(2,052)**	(1,826)
	19,263	21,295

Events of default have arisen under certain loan arrangements entered into by WIIL group amounting to approximately HK$291,000. As a result, the relevant loans have become repayable on demand and have been reclassified as current liabilities.

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Group				
Amounts payable under finance leases:				
Within one year	**1,298**	1,620	**1,186**	1,446
In the second to fifth year inclusive	**792**	1,048	**712**	993
	2,090	2,668	**1,898**	2,439
Less: future finance charges	**(192)**	(229)	**–**	–
Present value of obligations under finance leases	**1,898**	2,439	**1,898**	2,439
Less: Amount due within one year shown under current liabilities			**(1,186)**	(1,446)
Amount due after one year			**712**	993

The average lease term is three years. All leases are on fixed repayment basis except for the amount as described below. No arrangement have been entered into for contingent rental payments.

Events of default have arisen under certain lease arrangements entered in WIIL group amounting to approximately HK$994,000 as at 30 June 2003. As a result, such lease obligations have become repayable on demand and accordingly, the amounts have been classified as current liabilities.

26. OBLIGATIONS UNDER FINANCE LEASES (Continued)

	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Company				
Amounts payable under finance leases:				
Within one year	**250**	–	**192**	–
In the second to fifth year inclusive	**792**	–	**712**	–
	1,042	–	**904**	–
Less: future finance charges	**(138)**	–	**–**	–
Present value of obligations under finance leases	**904**	–	**904**	–
Less: Amount due within one year shown under current liabilities			**(192)**	–
Amount due after one year			**712**	–

The average lease term is five years. All leases are on fixed repayment basis and no arrangements have been entered into for contingent rental payments.

27. CONVERTIBLE BONDS

	Group and Company	
	2003	2002
	HK$'000	*HK$'000*
Principal amount		
At the beginning of year	**15,602**	–
Issued during the year	**–**	15,602
At the end of year	**15,602**	15,602
Less: Issue costs		
At the beginning of year	**715**	–
Incurred during the year	**–**	780
Amortisation during the year including amounts written back upon redemption	**(715)**	(65)
At the end of year	**–**	715
Carrying value at 30 June	**15,602**	14,887

The HK$15,601,700 4% convertible bonds (the "Bonds") were issued on 30 May 2002 and were due on 29 May 2003. Up to the maturity date, no Bonds has been converted into, either in whole or in part, ordinary shares of the Company.

As mentioned in Note 2(b) to the financial statements, the Group has had difficulty in repaying the Bonds. As a result, the Bonds were still outstanding as at 30 June 2003. On 21 July 2003, the Company's sole bondholder issued a statutory demand against the Company in respect of the amount owing under the Bonds held by the bondholder, which includes approximately HK$15,602,000 in principal and HK$255,000 in interest and default interest to be assessed.

On 19 August 2003, a subscription agreement was entered into between the Company and a subscriber whereby the Company has agreed to issue and the subscriber has agreed to subscribe for convertible bonds (the "New Bonds") with an aggregate principal of HK$16,000,000. Part of the net proceeds will be used for repayment of the Bonds. The Company has informed the sole bondholder of this arrangement, and the bondholder has not raised any objection up to the date of this report.

For further details, please refer to Note 37 to the financial statements.

28. LOAN FROM A SHAREHOLDER

Group and Company

The amount due is unsecured, chargeable with interest at 10% p.a. and repayable on 16 January 2005.

29. AMOUNT DUE TO A RELATED COMPANY

Group

The amount due is unsecured and interest free. As mentioned in Note 2(a) to the financial statements, the related company is not willing to provide further financial support to the WIIL group and accordingly, the amount due becomes payable on demand and has therefore been reclassified and shown as a current liability as at 30 June 2003.

30. SHARE CAPITAL

	Number of shares	Nominal value *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 30 June 2002 and 30 June 2003	20,000,000,000	200,000

30. SHARE CAPITAL (Continued)

	Note	Number of shares	Nominal value HK$'000
Issued:			
Ordinary shares of HK$0.01 each at 1 July 2001		6,490,107,840	64,901
Issue of shares from exercise of share options		121,516,292	1,215
Ordinary shares of HK$0.01 each at 30 June 2002 and 1 July 2002		6,611,624,132	66,116
Issue of shares pursuant to			
– Subscription agreements	(b), (d)	2,207,900,000	22,079
– Settlement agreement	(c)	492,100,000	4,921
Issue of shares from exercise of share options	(e)	300,000,000	3,000
Issue of shares from exercise of warrants	(a)	2,500,000	25
Ordinary shares of HK$0.01 each at 30 June 2003		9,614,124,132	96,141

All new shares issued ranked pari passu with the then existing shares in all respects.

Notes:

The following movements in the Company's issued share capital took place during the year ended 30 June 2003:

(a) On 24 July 2002, 3 grantees had exercised the subscription rights attaching to the warrant to subscribe for a total of 2,500,000 ordinary shares of HK$0.01 each at a subscription price of HK$0.12 each.

(b) On 10 September 2002, pursuant to the subscription agreement dated 21 August 2002, a total of 657,900,000 ordinary shares of HK$0.01 each were allotted and issued at a subscription price of HK$0.0152 each for a total proceeds, before related expenses, of approximately HK$10,000,000.

(c) On 10 September 2002, pursuant to the settlement agreement dated 23 August 2002, a total of 492,100,000 ordinary shares of HK$0.01 each were allotted and issued at an issue price of HK$0.0152 for a total proceeds, before related expenses, of approximately HK$7,480,000.

30. SHARE CAPITAL (Continued)

(d) On 16 December 2002, 1,550,000,000 ordinary shares of HK$0.01 each were allotted and issued at a subscription price of HK$0.011 each for a total proceeds, before related expenses, of approximately HK$17,050,000.

(e) On 18 January 2003, 4 employees had exercised a total of 300,000,000 share options granted to them under the Share Option Scheme at the subscription price of HK$0.016 each, resulting in the issue of 300,000,000 ordinary shares of HK$0.01 each for a total proceeds, before expenses, of approximately HK$4,800,000.

Share Options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Equity Compensation Benefits" in Note 14 to the financial statements.

Warrants

On 17 April 2002, the Company allotted and issued 1,307,000,000 warrants (the "Warrants") by way of private placing at an issue price of HK$0.02 per warrant, which are exercisable at any time from 19 April 2002 to 18 April 2003, both date inclusive. These warrants entitled the warrant holders thereof to subscribe for the ordinary shares of HK$0.01 each in the share capital of the Company at an initial subscription price of HK$0.12 (subject to adjustment).

During the year ended 30 June 2003, 3 grantees had exercised the subscription rights attaching to the Warrants to subscribe for the shares of the Company. Save as disclosed above, on 17 April 2003, the subscription rights attaching to the Warrants which have not been exercised were lapsed and the Warrants were expired and ceased to be valid for any purpose.

31. RESERVES

	Share premium HK$'000	Subscription right reserve HK$'000	Asset revaluation reserve HK$'000	Capital reserve on consolidation HK$'000	Accumulated deficits HK$'000	Total HK$'000
Group						
At 1 July 2001	99,681	–	13,077	8,828	(67,523)	54,063
Premium arising on issue of shares in respect of exercise of share options	1,559	–	–	–	–	1,559
Revaluation decrease	–	–	(1,386)	–	–	(1,386)
Goodwill released upon disposal of a subsidiary	–	–	–	1,972	–	1,972
Proceeds from issue of warrants	–	26,140	–	–	–	26,140
Warrants issue expenses	–	(871)	–	–	–	(871)
Net loss for the year	–	–	–	–	(106,133)	(106,133)
At 30 June 2002	101,240	25,269	11,691	10,800	(173,656)	(24,656)
At 1 July 2002	101,240	25,269	11,691	10,800	(173,656)	(24,656)
Premium arising on issue of shares in respect of exercise of share options	1,800	–	–	–	–	1,800
Premium arising on issue of shares pursuant to subscription agreements	3,926	–	–	–	–	3,926
Premium arising on issue of shares pursuant to settlement agreement	2,159	–	–	–	–	2,159
Premium arising on issue of shares in respect of exercise of warrants	275	–	–	–	–	275
Transfer from subscription right reserve to share premium	48	(48)	–	–	–	–
Revaluation decrease	–	–	(9,536)	–	–	(9,536)
Subscription rights expired	–	(25,221)	–	–	–	(25,221)
Reserve transferred to accumulated deficits upon disposal of a leasehold property	–	–	(694)	–	694	–
Net loss for the year	–	–	–	–	(104,571)	(104,571)
At 30 June 2003	**109,448**	**–**	**1,461**	**10,800**	**(277,533)**	**(155,824)**

31. RESERVES (Continued)

	Share premium HK$'000	Subscription right reserve HK$'000	Asset revaluation reserve HK$'000	Capital reserve on consolidation HK$'000	Accumulated deficits HK$'000	Total HK$'000
Group						
Attributable to:						
The Company and subsidiaries	101,240	25,269	11,691	10,800	(173,475)	(24,475)
An associate	–	–	–	–	(181)	(181)
At 30 June 2002	101,240	25,269	11,691	10,800	(173,656)	(24,656)
Attributable to:						
The Company and subsidiaries	109,448	–	1,461	10,800	(277,533)	(155,824)
An associate	–	–	–	–	–	–
At 30 June 2003	**109,448**	**–**	**1,461**	**10,800**	**(277,533)**	**(155,824)**

	Share premium HK$'000	Subscription right reserve HK$'000	Contributed surplus HK$'000	Accumulated deficits HK$'000	Total HK$'000
Company					
At 1 July 2001	99,681	–	26,487	(81,207)	44,961
Premium arising on issue of shares in respect of exercise of share options	1,559	–	–	–	1,559
Proceeds from issue of warrants	–	26,140	–	–	26,140
Warrants issue expenses	–	(871)	–	–	(871)
Released upon disposal of subsidiaries	–	–	(12,979)	–	(12,979)
Net loss for the year	–	–	–	(26,891)	(26,891)
At 30 June 2002	101,240	25,269	13,508	(108,098)	31,919

31. RESERVES (Continued)

	Share premium HK$'000	Subscription right reserve HK$'000	Contributed surplus HK$'000	Accumulated deficits HK$'000	Total HK$'000
Company					
At 1 July 2002	101,240	25,269	13,508	(108,098)	31,919
Premium arising on issue of shares in respect of exercise of share options	1,800	–	–	–	1,800
Premium arising on issue of shares pursuant to subscription agreement	3,926	–	–	–	3,926
Premium arising on issue of shares pursuant to settlement agreement	2,159	–	–	–	2,159
Premium arising on issue of shares in respect of exercise of warrants	275	–	–	–	275
Transfer from subscription right reserve to share premium	48	(48)	–	–	–
Subscription rights expired	–	(25,221)	–	–	(25,221)
Net loss for the year	–	–	–	(123,840)	(123,840)
At 30 June 2003	**109,448**	**–**	**13,508**	**(231,938)**	**(108,982)**

The contributed surplus represents the difference between the consolidated shareholders' funds of Welback International Investments Limited ("Welback International") at the date on which its shares were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition. During the year ended 30 June 2002, 49% of equity interest of Welback International has been disposed of. Accordingly, 49% of the contributed surplus brought forward was released upon the completion of disposal.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company did not have any reserves available for distribution to shareholders at 30 June 2003 and 30 June 2002.

32. DISPOSAL OF SUBSIDIARIES

	2003	2002
	HK$'000	HK$'000
Net assets disposed of:		
Property, plant and equipment	–	1,487
Inventories	–	4,954
Trade and other receivables	–	4,416
Bank balances and cash	–	1,430
Trade and other payables	–	(10,243)
Minority interests	–	(580)
Net assets	–	1,464
Goodwill released on disposal	–	1,972
Loss on disposal of subsidiaries	–	(2,032)
	–	1,404
Satisfied by:		
Cash consideration received	–	144
Deferred consideration	–	1,260
	–	1,404
Net cash outflow in respect of the disposal of a subsidiary:		
Cash consideration received	–	144
Bank balances and cash disposed of	–	(1,430)
	–	(1,286)

The subsidiary disposed of during the year ended 30 June 2002 did not have any significant impact on the Group's cash outflows, turnover and operating results.

33. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into the following major non-cash transactions:

(a) the Company through Ruian Technology Company Limited, its wholly owned subsidiary entered into an acquisition agreement with Welback Enterprises Limited ("WEL"), its 51% owned subsidiary to acquire the entire paid-up registered share capital of Ruian Weiye Technology (Shenzhen) Limited at initial consideration of approximately of HK$9,788,000 which was satisfied by setting off the loan due to the Company by WEL. The consideration was then adjusted to approximately HK$9,224,000 due to an adjustment in the net asset value of Ruian Weiye as at 30 June 2003;

(b) pursuant to a board resolution of Gen-Wan, which was classified as an associate of the Group as at 30 June 2002, Gen-Wan will increase its share capital by NT$70 million. The Group has given up its right to contribute additional investment in Gen-Wan and, accordingly, the Group's equity interest in Gen-Wan was diluted from 24.9% to 9.5% and the Group no longer has the power to participate in the financial and operating policy decision of Gen-Wan. As a result, the investment in Gen-Wan was reclassified as investment securities as at 30 June 2003 as disclosed in Note 19 to the financial statements; and

(c) the Group entered into finance leases arrangements in respects of property, plant and equipment with a total capital value at the inception of the contract of approximately HK$1,090,000 (2002: HK$1,901,000).

(d) on 23 August 2002, the Company and Well Green Group Limited ("Well Green"), a company incorporated in the British Virgin Islands, entered into the Settlement Agreement pursuant to which Well Green agreed to subscribe for, and the Company agreed to issue the Settlement Shares at an issue price of HK$0.0152 each and in return Well Green should transfer and assign a debt to the Company in amount of approximately HK$7,480,000 originally owned by Quicky Technologies Limited, a wholly owned subsidiary of the Company, to Well Green.

34. OPERATING LEASES COMMITMENTS

As at 30 June 2003, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**2,184**	2,828
In the second to fifth year inclusive	**3,048**	5,841
After five years	**–**	773
	5,232	9,442

Operating lease payments represent rentals payable by the Group for certain of its office property and staff quarters. Leases and rentals were negotiated and fixed for an average term of two years (2002: four years).

34. OPERATING LEASES COMMITMENTS (Continued)

At the balance sheet date, the Company had outstanding commitments under non-cancellable operating leases which fall due as follows:

	Company	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**31**	189
In the second to fifth year inclusive	**–**	94
	31	283

Operating lease payments represent rentals payable by the Company for its office property. Leases and rentals were negotiated and fixed for an average term of two years (2002: two years).

35. PLEDGE OF ASSETS

As at 30 June 2003, the Group pledged its leasehold properties with an aggregate net book value of approximately HK$10,047,000 (2002: HK$23,240,000), an investment property of approximately HK$28,000,000 (2002: HK$34,500,000) and its banks deposits of approximately HK$9,860,000 (2002: HK$8,646,000) to secure general banking facilities granted to the Group.

The Company did not pledge any of its assets at the balance sheet date.

36. CONTINGENT LIABILITIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Bills discounted with recourse	**5,304**	31,748

At 30 June 2003, the Company provided corporate guarantees amounting to approximately HK$54,900,000 (2002: HK$54,900,000) to various banks in respect of banking facilities granted to its subsidiaries. The aggregate amount utilised in respect of the banking facilities granted amounted to approximately HK$37,300,000 at 30 June 2003 (2002: HK$44,110,000).

As explained in Note 2(a)(iii) to the financial statements, in the absence of properly prepared accounting records and supporting documents of WIIL group, the directors of the Company are unable to represent as to the completeness of the above figures.

36. CONTINGENT LIABILITIES (Continued)

During the year ended 30 June 2003 and subsequently, WIIL Group has been involved in various legal proceedings, claims and writs, with aggregate estimated potential liabilities amounting to approximately HK$48,941,000, taken out by its creditors, employees and workers. In the opinion of the directors of WIIL Group, these claims were made without valid ground and WIIL Group would vigorously contest against these claims. Accordingly, these potential liabilities have not been accrued in the Group's financial statements as at 30 June 2003.

The Company has no guarantee or other indirect liability in respect of any of the above claims except the Company has guaranteed certain obligations of WEL and Hitchman in respect of trade facilities provided by a bank.

On 13 October 2003, a writ of summons and statement of claim was made by BII Finance Company Limited ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain liabilities of the Company's indirect non-wholly owned subsidiary, WEL. The claim is for a sum of approximately HK$3,583,000 and US$248,000 (approximately HK$1,936,000) together with interest. The directors are seeking legal advice in this matter and are of the preliminary review that the claim is meritless.

37. SUBSEQUENT EVENTS

The following significant events occurred subsequent to the balance sheet date:

(i) On 27 May 2003, an agreement was entered into between the Company and six independent third parties, pursuant to which the independent third parties agreed to subscribe for and the Company agreed to issue 1,200,000,000 new shares of the Company at a subscription price of HK$0.017 each. The net proceeds of approximately HK$20,064,000, of which approximately HK$15,500,000 will be used for repayment of liabilities under the Convertible Bonds and the balance of approximately HK$4,500,000 for working capital of the Group. The placing was scheduled to be completed on 21 July 2003. However, on 21 July 2003, it was noticed that three of the placees did not take up the 900,000,000 new shares of the Company at a subscription price of HK$0.017 each. As these three placees did not take up the new shares, the new shares issued have been changed from 1,200,000,000 to 300,000,000 and the net proceeds of which have been changed from approximately HK$20,064,000 to approximately HK$4,934,000. The said proceeds have been used for partial repayment of liabilities under the Convertible Bonds, and as working capital of the Group.

37. SUBSEQUENT EVENTS (Continued)

(ii) On 5 August 2003, an unconditional Termination Agreement was entered into between Graceley Enterprise Limited ("Graceley"), a 51% owned subsidiary of the Company and 深圳市寶安區西鄉鎮河東村委會 ("the PRC party"), an independent third party, to terminate an agreement dated 10 July 1991 in which the PRC party agreed to assign the rights to use a property for 30 years from 1 January 1992 to 31 December 2021 (the "1991 Agreement"). Under the Termination Agreement, Graceley surrendered its interest in the rights to use the property acquired pursuant to the 1991 Agreement together with the equipment affixed to the property for an aggregate cash consideration of RMB8,000,000 (equivalent to approximately HK$7,540,000).

On the same date, in order to avoid any interruption to the Group's production and business operations, the PRC party also entered into lease arrangements with Ruian Weiye Technology (Shenzhen) Limited, a wholly owned subsidiary of the Company, for a term of two years and with Welback Enterprises Limited, a 51% owned subsidiary of the Company, for a term of one year, to lease to them the aforesaid property at a monthly rental of approximately RMB150,000 (equivalent to approximately HK$141,345) and RMB38,000 (equivalent to approximately HK$35,807) respectively.

(iii) On 19 August 2003, a subscription agreement was entered into between the Company and Asano (Pte) Ltd. ("Asano"), a company incorporated in Singapore, pursuant to which Asano agreed to subscribe for and the Company agreed to issue 8% convertible bonds which is expected to be due approximately on 30 November 2004 (the "Bonds") with a principal amount of HK$16,000,000. The Bonds carry the rights to convert either in whole or in part of the principal amount into shares at the initial conversion price of HK$0.018 per share at any time after the issue of the Bonds up to the maturity date. The net proceeds of approximately HK$15,840,000, of which approximately HK$12,000,000 will be used for repayment of liabilities under the 4% Convertible Bonds due on 2003 and the balance of about HK$3,840,000 for working capital of the Group.

(iv) Pursuant to a special resolution passed on 29 August 2003, the Company changed its name from Terabit Access Technology International Limited to Ruili Holdings Limited with effect from 2 September 2003.

(v) On 10 September 2003, Transfer Networks Limited, a wholly owned subsidiary of the Company, entered into a conditional Investment Agreement with the shareholders of 深圳市銀河通信技術有限公司(「銀河通信」) and 銀河通信, inter alia, to invest RMB17,000,000 in the registered share capital of 銀河通信. The agreement has yet to be completed.

37. SUBSEQUENT EVENTS (Continued)

(vi) On 10 September 2003, the Company entered into subscription agreement with Accurate Sino Holdings Limited ("ASHL"), a company incorporated in the British Virgin Islands, under which ASHL agreed, inter alia, to subscribe for 700,000,000 new shares of the Company at a subscription price of HK$0.016 per share. Also, the sole director and shareholder of ASHL has agreed to grant a loan of HK$5 million to the Company for a term of one year at an interest rate of 8% per annum. The subscription of 700,000,000 new shares of HK$0.016 to ASHL and a loan of HK$5 million carrying at 8% interest for one year are used for the acquisition of equity interest in 深圳市銀河通信技術有限公司 as mentioned in 37(v) above. The proceeds from the subscription of new shares were received on 16 October 2003.

38. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 October 2003.

– End of Notes –